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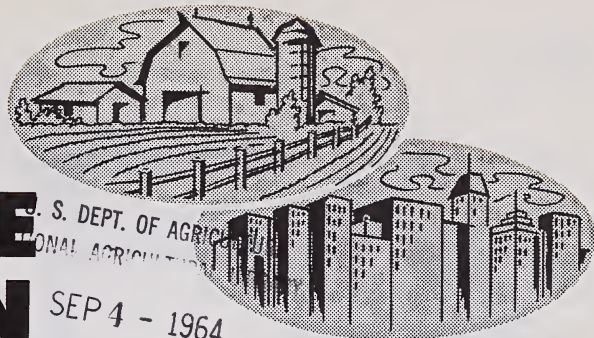
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DEMAND AND PRICE SITUATION



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For Release August 5, A. M.

JULY 1964

SUMMARY

April-June, the 14th quarter of the current business expansion, registered a \$618 1/2 billion per year rate of Gross National Product. This was \$10 billion above the quarter before and \$41 billion above a year earlier. Consumer optimism, and business plans for increased investment in plant and equipment, point to a further rise in economic activity during the second half of 1964. Rising incomes and a growing population are resulting in increased spending for food and other farm products. Farm product exports during the year ended June 30 totaled \$6.1 billion, 20 percent above the records of the previous 2 years. Agricultural exports are expected to continue at high levels during the current fiscal year, totaling under last year but above any other previous year.

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AGRICULTURE

Table 1.--Economic factors affecting agriculture

Item	Unit or base period	1963		1964			
		Year	June	Mar.	Apr.	May	June
Industrial production, seasonally adj. <u>1/</u>	1957-59=100	124	126	128	130	131	132
Final products	do.	125	125	128	130	130	131
Consumer goods	do.	125	126	128	130	130	130
Autos	do.	150	160	152	160	160	160
Equipment, including defense	do.	124	124	128	130	131	132
Materials	do.	124	127	128	131	132	132
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	62,775	62,335	66,756	66,615	64,784	65,076
Public construction	Mil. dol.	18,979	19,151	20,204	20,166	19,188	19,467
Private residential	Mil. dol.	25,711	25,801	27,450	27,538	26,641	26,442
Housing starts, private only	Thousands	1,587	1,571	1,663	1,531	1,500	1,577
Manufacturers' shipments and inventories: <u>2/</u>		34,774	34,942	36,222	37,167	37,318	
Total shipments, seasonally adjusted	Mil. dol.	18,071	18,242	18,887	19,359	19,233	
Durable goods	Mil. dol.	1.43	1.43	1.40	1.39	1.40	
Unfilled orders-shipments ratio <u>4/</u>		1.69	1.68	1.67	1.63	1.62	
Inventory-shipments ratio, total <u>5/</u>		1.95	1.93	1.91	1.87	1.89	
Durable goods							
Employment and wages, seasonally adj: <u>6/</u>							
Total civilian employment	Millions	68.8	68.8	69.8	70.6	70.8	70.4
Nonagricultural	do.	63.9	63.8	65.2	65.8	65.9	65.5
Unemployment	do.	4.2	4.1	4.0	4.0	3.8	4.0
Workweek in manufacturing	Hours	40.4	40.5	40.7	40.7	40.7	40.9
Hourly earnings in manufacturing, unadj.	Dollars	2.46	2.46	2.51	2.52	2.53	2.53
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	464.1	462.7	482.9	486.6	487.8	489.2
Consumer credit outstanding <u>1/</u>	Mil. dol.	69,890	64,987	68,913	69,816	70,945	
Automobile	Mil. dol.	22,199	21,236	22,471	22,830	23,255	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	20,536	20,486	21,223	21,392	21,743	21,746
Durable goods	Mil. dol.	6,675	6,630	6,939	7,010	7,202	6,985
Inventory-sales ratio <u>5/</u>		1.37	1.37	1.37	1.37	1.34	
Prices: <u>6/</u>							
Wholesale prices, all commodities	1957-59=100	100.3	100.3	100.4	100.3	100.1	100.1
Commodities other than farm and food	do.	100.7	100.7	101.1	101.1	101.1	101.0
Farm products	do.	95.7	94.9	95.2	94.4	93.7	93.2
Foods processed	do.	101.1	102.4	100.5	100.4	99.4	100.2
Consumer price index, all items <u>7/</u>	do.	106.7	106.6	107.7	107.8	107.8	
Food	do.	105.1	105.0	105.7	105.7	105.5	
Prices received by farmers <u>8/</u>	1910-14=100	242	241	239	236	235	232
Crops	do.	237	244	241	243	248	241
Livestock and products	do.	245	239	237	230	224	224
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	312	312	313	314	313	313
Family living items	do.	298	298	298	300	300	300
Production items	do.	273	272	272	272	270	269
Parity ratio <u>8/</u>		78	77	77	75	75	74
Farm income and marketings: <u>8/</u>							
Volume of farm marketings	1957-59=100	115	95	90	91	88	98
Cash receipts from farm marketings	Mil. dol.	36,925	2,492	2,414	2,434	2,294	2,400

Annual data for most of these items for years 1929, 1941, 1947 and 1950-63 appear on page 35 of the April 1964 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ Unfilled orders as of end of month divided by shipments. 5/ Inventories, book value as of end of month divided by shipments. 6/ U. S. Department of Labor 7/ Beginning January 1964, new series. 8/ U. S. Department of Agriculture.

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, July 28, 1964

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Expanding domestic and foreign markets for farm products led to a small increase in farmers' cash receipts during the first half of 1964. A step-up in the volume of farm marketings from a year earlier more than offset a 2 percent reduction in prices received by farmers. Production expenses during the first half were at an annual rate some \$400 million above a year earlier, however, and realized net farm income in January-June 1964 was at an annual rate of \$12.3 billion, about 1 percent below a year earlier.

Prices received by farmers for livestock and products in January-June averaged 5 percent below a year earlier, mostly because of increased supplies. But prices likely will strengthen some in coming months from the first half. Fed cattle prices rose in late June and July from May lows, and feeders stated intentions as of July 1 to reduce the level of marketings out of feedlots from the relatively high levels of the first half. Prices received for hogs are expected to average higher than a year earlier, especially this fall; the December-May pig crop was 8 percent smaller than a year earlier. Wholesale milk prices during the second quarter were higher than a year earlier as manufacturing plants increased prices paid for milk used in butter and byproducts, evaporated milk, and foreign-type cheese. Egg production in the second half is expected to continue a little higher and prices received likely will average a little lower than a year earlier. Broiler production during the third quarter is likely to be down to about the year-earlier level; higher prices are expected to encourage increased output later this year.

Prices received by farmers for crops in the first half of 1964 were 2 percent above the same months last year but are expected to average somewhat below a year earlier during the second half. The loan rate for 1964-crop wheat is \$1.30 per bushel, 52 cents below 1963. Under newly enacted wheat legislation, most of the price reduction will be offset by supplementary payments to participating producers. Wheat production, indicated 12 percent above 1963, may be nearly matched by utilization in 1964-65. A large 1963 feed grain crop and reduced demand point to an increase in October 1 carryover stocks of about 7 million tons over the 63 million a year earlier. Feed grain acreage planted for the 1964 crop is around 7 million acres less than the 131 million in 1963. Soybean exports are running slightly above a year earlier, but crushings are off about a tenth; prices are likely to continue lower than a year earlier through summer. Carryover next October 1 may total around 50 million bushels compared with 15 million a year earlier. July 1 prospects for fruit production were generally favorable but vegetable production may be slightly less this year than last. Domestic use of cotton increased in June. With more competitive domestic prices, utilization is expected to rise further during the remainder of the year. Tobacco production this year is indicated about a tenth below last year, mostly because of smaller acreage allotments for flue-cured and burley.

GENERAL AGRICULTURAL SITUATION

Increasing personal incomes and an expanding population point to continued gains in consumer demand for farm products through the remainder of 1964. Major contributors to the income gain are: Increasing employment, rising wages, larger dividends, and a surge in corporate profits. In addition, consumer take-home pay was augmented earlier this year by a cut in income tax rates. Nearly half the gain in consumer purchases from the first quarter to the second was for nondurable items, including food and other farm products, a much larger share than usual. Buoyed by increased purchases of red meats and other higher priced foods, and by increased eating out, consumer spending for food during the first half of 1964 was about 4 percent above a year earlier.

Prices Received
Slightly Lower

Prices received by farmers in the first half averaged 2 percent below a year earlier, and for the year as a whole are expected to average around 3 percent below 1963. Loan levels are lower this year for wheat and cotton; and production is increasing again this year, particularly for livestock and products. However, demand for farm products continues to expand in response to growing population, increased income per capita, and increased shipments abroad. Average prices received by farmers for all products are expected to strengthen from the reduced level in June when they were 232 percent of the 1910-14 average, the lowest since December 1959.

Table 2.--Agricultural prices, marketings and income, 1962 to date

Item	Unit	1962				1963				1964			
		Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Prices received by farmers													
Crops	: 1910-14=100:	244				241	242	240		241	234		
Livestock and products	: 1910-14=100:	231				244	234	239		242	244		
	: 1910-14=100:	255				239	250	242		239	226		
Prices paid, interest, taxes and wage rates													
Family living items	: 1910-14=100:	307				312	312	311		313	313		
Production items	: 1910-14=100:	294				297	298	298		298	300		
	: 1910-14=100:	270				273	273	271		272	270		
Parity ratio													
		79				77	78	77		77	75		
Volume of farm marketings													
Crops	: 1957-59=100:	111				88	117	155		102	92		
Livestock and products	: 1957-59=100:	112				55	123	199		90	59		
	: 1957-59=100:	110				112	112	123		111	117		
Cash receipts from farm marketings ^{1/}													
Crops	: Bil. dol. :	36.1				7.1	9.3	12.4		8.1	7.2		
Livestock and products	: Bil. dol. :	16.1				2.3	4.4	7.0		3.3	2.4		
	: Bil. dol. :	20.0				4.8	5.0	5.3		4.8	4.8		
Farmers' realized net income ^{2/}													
	: Bil. dol. :	12.6				12.5	12.4	12.8		12.3	12.3		

^{1/} Seasonally adjusted annual rates are: 1963-II, \$36.7 billion; III, \$36.8 billion; and IV, \$37.2 billion. 1964-I, \$36.7 billion; II, \$36.8 billion.

^{2/} Seasonally adjusted annual rates.

U. S. Department of Agriculture.

Livestock and product prices are increasing a little from the reduced levels of the first half of 1964, when they were about 5 percent below a year earlier. Hog prices are rising seasonally during the third quarter and a prospective reduction in marketings points to higher-than-a-year-earlier prices received later in the year. Cattle prices have strengthened some from the relatively low average received in January-June. Some additional price strengthening is indicated during the second half compared with the first for chickens and milk.

Prices received for crops averaged 2 percent above a year earlier in the first half of 1964 but are expected to average a little lower during the remainder of the year. Under current legislation, loan rates for wheat and cotton are lower than in 1963. Corn marketed during the remainder of the 1963-64 marketing year likely will be priced below a year earlier. Price supports for 1964 feed grains are set at the same levels as in 1963; loan levels are a little higher but support payments are lower. Prices for soybeans and hay, during the second half of this year, are expected to average lower than a year earlier.

Cash Receipts
Gain Slightly

The volume of marketings of farm commodities so far this year has been running about 3 percent more than a year earlier. Consequently, even though prices received during the first half averaged a little lower, cash receipts from marketing farm products were slightly above a year earlier. Receipts from milk, tobacco, and oranges, were sharply higher but wheat, cotton, and cattle receipts were lower.

Cash receipts from marketing crops during the first half of this year were generally higher than in January-June 1963 due to a 2 percent increase in prices received for crops and to a moderate gain in the volume of marketings. Cash receipts for livestock and products were little changed from a year earlier; lower average prices were about offset by gains in the volume of marketings.

Farm Output
Increasing

Output of farm products in 1964 likely will total a little above the 1963 level of 112 (1957-59=100). Acreage planted or grown for major crops this year is nearly as high as in 1963. As of July 1, acreage losses for most crops were expected to follow about the usual pattern. However, with significantly smaller losses than usual indicated for winter wheat, total acreage harvested is expected to be slightly larger than in 1963. Crop indications as of July 1, 1964 were brighter than indications a year earlier and the uptrend in yields is expected to continue.

Production of livestock and products in January-June was 4 or 5 percent above a year earlier and is expected to total a little above 1963 during July-December. Most of the gain is in beef production, but output of poultry and eggs is also higher than in 1963. Milk production in January-June was nearly 1 percent above a year earlier and is expected to total for the year slightly above the 1963 level of 125 million pounds. Pork production during the first half was 2 percent above a year earlier but a smaller spring pig crop indicates production this fall below year-earlier rates.

Stocks Rising for Most Crops;
Down for Wheat

Stocks of most crops at the end of the 1963-64 marketing year are estimated larger than beginning stocks. But a sizable reduction for wheat holds the aggregate carryover of major commodities about the same as at the beginning of the marketing year. Wheat carryover totaled 900 million bushels on July 1, about one-fourth lower than the 1,195 million bushel carryover on July 1, 1963. The reduction in wheat stocks resulted primarily from record export shipments in 1963-64. With somewhat lower feeding rates, feed grain carryovers into the 1964-65 marketing year are expected to total around 70 million tons, more than 10 percent above a year earlier. The increase will be largely in stocks of corn, which are expected to total around 1,550 million bushels compared with 1,316 million last year. Soybean carryover on October 1 is likely to total around 50 million bushels compared with a low level of 15 million last year. Carryover of upland cotton on August 1 was estimated 12.2 million bales, 11 percent higher than a year ago. Increases in exports and domestic use were not sufficient to absorb the large 1963 crop which resulted from record yields. An increase of about 7 percent is expected in tobacco stocks at the close of the 1963-64 crop year from a year earlier.

Aggregate carryover of stocks at the close of the 1963-64 marketing year for 14 major crops is about the same as a year earlier and continues around the relatively high level of stocks first reached in 1959. Gains this year in feed grains, cotton, tobacco, and soybeans were nearly offset by reduced stocks of wheat. Carryover stocks, listed in column 1 of the table, were aggregated by the same relative weights used in the farm production index. Crop production in 1963 was 112 percent of the 1957-59 average (see table). Carryover stocks into the 1963-64 marketing year were equivalent to 50 percent of the 1957-59 production level. Adding these together, domestic supplies for the 1963-64 marketing year total 162 percent of the base-period production.

Carryover stocks are also tabulated as a percent of current production (column 2 of the table). Stocks were 45 to 50 percent of current production in recent years compared with levels around one-fifth of production immediately following World War II. However, rising production and relatively stable stocks in the last 2 or 3 years reduced the proportion that carryover is of current production to 44 percent in 1963.

Table 3.--Carryover of major crops, 1947 to 1963, with comparisons

Year	Crop carryover		Crop production	Total domestic supplies
	Percent of 1957-59 crop production <u>1/</u>	Percent of current crop production <u>2/</u>	1957-59=100 <u>3/</u>	Percent of 1957-59 crop production <u>4/</u>
1947	16	19	85	101
1948	18	18	97	115
1949	26	28	92	118
1950	29	32	89	118
1951	24	26	91	115
1952	22	23	95	117
1953	30	32	94	124
1954	39	42	93	132
1955	42	44	96	138
1956	48	50	95	143
1957	46	49	93	139
1958	45	43	104	149
1959	50	49	103	153
1960	49	45	108	157
1961	51	48	107	158
1962	48	45	107	155
1963	50	44	112	162

1/ Price-weighted aggregate of stocks of 14 major crops on hand at the beginning of the crop marketing year. Marketing years begin on various dates from July 1 to October 1, depending on the crop. Weights used in aggregation were the same as those used in computing the Index of Crop Production.

2/ Ratio of column 1 to column 3 computed before rounding column 1.

3/ Index of Crop Production published by the Economic Research Service, USDA.

4/ Sum of columns 1 and 3.

The 14 commodities included in the measure of combined stocks, listed with the percentages each commodity contributed to the total value of stocks at the beginning of the 1963-64 marketing year, are: Tobacco (25 percent), wheat (23 percent), cotton (21 percent), corn (15 percent), grain sorghum (7 percent), hay (5 percent), oats (2 percent), barley (1 percent), and soybeans, peanuts, rice, flaxseed, dry beans, and rye (less than 1 percent each). Tobacco leads the list because of the normal practice for the industry to carry large stocks of leaf tobacco for aging and because tobacco has a much higher value per pound than the other commodities. It is estimated that current combined stocks are about one-half more than is considered adequate for normal, current requirements. Stocks of wheat and feed grains at the close of the 1963-64 marketing year were estimated about 50 percent more than adequate reserve levels; cotton was about double. Soybean stocks continue below levels considered adequate for reserves.

CCC Investment
Reduced in 1964

CCC investment in commodity inventories and loans outstanding on May 31, 1964 totaled \$7,435 million, 4 percent below a year earlier. Inventory reductions during June were nearly as large as a year earlier, and consequently, total investment at the end of fiscal 1964 was possibly 2 percent lower than the \$7,257 million at the end of fiscal 1963. Large reductions occurred in wheat and dairy products, but these were partially offset by increases in cotton, tobacco, soybeans, and feed grains.

Price support extended on 1963 production totaled below a year earlier. Although repayments of loans were about the same as a year earlier, the ratio of repayments to new loans in fiscal 1964 was about 30 percent, compared to 26 percent in fiscal 1963. Dispositions of commodity inventories (sales and donations) are estimated larger in 1964 than in 1963, particularly for cotton, wheat, and butter.

Production Expenses
Continue Rising

Expenses for farm production have been rising steadily in recent years and in 1963 totaled \$29.2 billion. Possibly one-fourth of farm production expenses turn up in the form of income to other farmers and farm workers for sales of feed, seed, and livestock, and for wages. But most expenses to farmers become income to persons outside the farm sector who supply services and manufactured goods used in agriculture. During the first half of this year, expenses by farmers were estimated some \$400 million, annual rate, above a year earlier. A major share of the added outlays were for feed processing, fertilizer and pesticides, servicing and maintaining machinery and equipment, transportation, and interest.

During the first half of 1964, the index of prices paid by farmers for commodities and services, including interest, taxes, and wage rates, averaged 313 percent of 1910-14 compared with 312 a year earlier (table 4). Thus, price changes this year are having little overall effect on total expenses. Overall

Table 4.--Parity index and parity ratio, quarterly, 1962-64

Period	Parity index -- 1910-14 = 100							Parity ratio 4/ 1
	Family living items	Produc- tion items	Interest 1/ 1	Taxes 2/ 2	Wage rates 3/ 3	Production, interest, taxes, and wage rates	All items	
1962:								
I	294	268	266	657	652	314	306	80
II	295	269	266	657	666	316	307	79
III	294	269	266	657	662	315	307	80
IV	295	272	266	657	658	318	308	79
1963:								
I	297	274	297	690	663	323	312	78
II	297	273	297	690	683	323	312	77
III	298	273	297	690	681	322	312	78
IV	298	271	297	690	681	321	311	77
1964:								
I	298	272	333	725	673	324	313	77
II	300	270	333	725	703	323	313	75

1/ Interest payable per acre on farm real estate debt.

2/ Farm real estate taxes payable per acre.

3/ Seasonally adjusted.

4/ Ratio of index of prices received to index of prices paid, interest, taxes and wage rates (parity index).

stability in the average unit costs of items purchased by farmers resulted from a reduction in the cost of production items which nearly offset continued gains in interest and taxes payable per acre, and wage rates. Most of the reduction in prices paid for production items reflects lower feeder livestock prices, down 6 percent during the second quarter from the first and down 13 percent from a year earlier. Prices paid for feed during the second quarter were more than 1 percent below the quarter before but fractionally higher than a year earlier. Most other prices paid for production items are continuing to rise.

Assets and Net Worth Continue Rising

The value of total assets used in American agriculture is continuing to rise. Total assets were valued at \$223 billion on January 1, 1964, up more than 3 percent from the \$216 billion a year earlier. Most of the gain was attributable to a further rise in real estate values; the value of investments in machinery and motor vehicle gained some over 1963, but livestock inventories were slightly lower due to lower unit values. Of the total assets owned or controlled by farm operators and farm landlords, about 81 percent were classified as production assets; the remaining 19 percent were associated with family living items and financial holdings. Production assets per farm have been rising steadily and on January 1, 1964, totaled about 7 percent above a year earlier. Most of the rise from 1963 in the value production assets per farm resulted from a 9 percent increase in land values and a 3 percent decrease in the number of farms; relatively small changes occurred in acreage, livestock, machinery, and grain stored per farm.

Farmers owned about \$84 out of each \$100 of assets held on January 1 of this year; the remaining \$16 represented debts. Proprietorship declined from a level of \$85 per \$100 a year earlier. The increase in indebtedness this year from a year earlier was about evenly distributed between real estate and other types of debt.

Small Changes in Aggregate Income Point to Increased Income Per Farm

Realized net income of the Nation's farmers in January-June 1964 was about \$12.3 billion, seasonally adjusted annual rate, down 1 percent from a year earlier. For the past decade, realized net farm income fluctuated between \$11 billion and \$12.6 billion, averaging about \$12 billion. During this period, the number of farms declined steadily to 3.5 million in 1964 from 4.8 million in 1954. With realized net farm income so far this year totaling about the same as in 1954, and with fewer, more efficient farms, the average income per farm is rising this year to about \$3,500 compared with about \$2,500 in 1954. If the present downtrend in farm numbers continues, in another 6 or 8 years an average income of \$4,500 per farm would require about the same aggregate net farm income as the rate estimated for the first half of 1964.

FACTORS AFFECTING DEMAND
FOR FARM PRODUCTS

Continued strong expansion most aptly describes the performance of the economy in the second quarter. Strength in business activity was broadly based with all major sectors--consumer, business, and Government --showing increased purchases of goods and services. The gross national product, which measures the total value of final goods and services produced, was at an annual rate of \$618½ billion in the second quarter, about \$10 billion above the first quarter and 7 percent larger than a year earlier. In response to expanding demand, industrial production continued to rise and the second quarter level of 131 (1957-59=100) was 5½ percent above a year earlier. Employment in the second quarter was up 0.8 million from the first and up about 1.8 million, or 2.6 percent, from a year earlier. With rising wage rates, the flow of personal income rose to an annual rate of \$488 billion, 6 percent larger than a year earlier. Supplemented by the tax cut, consumers' after-tax income rose to a rate of \$431 billion in the second quarter, up 5 percent from the closing quarter of 1963 and 8 percent from a year earlier. Demand increases were substantial, but productive capacity of the economy was large enough to limit consumer and industrial price increases to a continuation of the moderate uptrend.

Consumer Income and Spending

With the accelerated rise in after-tax income and relatively stable prices, consumer spending has been the major expansionary force in the economy so far this year. Consumer purchases of goods and services in the second quarter totaled 6½ percent above a year earlier. Nondurable goods purchases were up 5½ percent with retail food store sales about 4 percent larger, general merchandise sales about 6 percent larger, and apparel sales also above the second quarter of 1963. Consumer outlays for durables increased 10 percent from the second quarter of 1963. Sales of furniture and appliance stores increased 16 percent and automobiles 4 percent from a year earlier. The uptrend in consumer expenditures for services continued as in past years. Increases in the price of services, rising population, and the tendency for consumers to spend a larger proportion of their income for services were important factors in the uptrend in outlays for services.

Consumer buying intentions, reported in recent surveys, indicate that consumers continue to be relatively optimistic and expect to increase their spending for automobiles and other durable goods over the next 6 to 12 months. Ordinarily, after a 3-year expansion in consumer spending for durable goods, a decline could be expected. But increased disposable income, ready availability of credit, and a rapid increase in the young adult population, apparently are supporting a steady expansion in demand for automobiles and other durables.

Consumer income rose \$7.0 billion in the second quarter from the first to a \$487.9 billion annual rate. With the tax reduction effective for the

Table 5.--Other economic factors affecting agriculture (seasonally adjusted annual rates)

Item	Unit	Year 1963	1963					1964	
			II	III	IV	I	I	II 1/	II 1/
Gross national product	Bil. dol.	583.9	577.4	587.2	599.0	608.8	608.8	618.5	618.5
Personal income	Bil. dol.	464.1	460.2	466.3	474.5	480.9	480.9	487.9	487.9
Disposable personal income	Bil. dol.	402.5	399.1	404.4	411.2	419.5	419.5	431.4	431.4
Personal consumption expenditures	Bil. dol.	375.0	372.0	377.4	381.3	390.0	390.0	396.0	396.0
Durable	Bil. dol.	52.1	51.5	52.2	53.6	55.9	55.9	56.6	56.6
Nondurable	Bil. dol.	167.5	166.6	168.6	168.9	172.9	172.9	175.7	175.7
Services	Bil. dol.	155.3	153.9	156.6	158.8	161.1	161.1	163.7	163.7
Personal saving	Bil. dol.	27.5	27.1	27.0	29.9	29.5	29.5	35.4	35.4
Net government receipts	Bil. dol.	123.4	122.7	124.4	128.2	125.2	125.2	--	--
Government purchases	Bil. dol.	122.6	120.9	122.8	124.8	125.2	125.2	129.5	129.5
Deficit or surplus (on income and product account)	Bil. dol.	.9	1.6	1.7	3.3	.0	.0	--	--
Gross private domestic investment	Bil. dol.	82.0	80.2	82.8	87.1	85.9	85.9	87.0	87.0
Fixed investment	Bil. dol.	77.6	76.6	78.6	80.7	83.4	83.4	84.0	84.0
Change in business inventories	Bil. dol.	4.4	3.6	4.2	6.4	2.5	2.5	3.0	3.0
Expenditures for plant and equipment	Bil. dol.	39.22	38.05	40.00	41.20	42.55	42.55	2/43.35	2/43.35
Corporate profits (before taxes)	Bil. dol.	51.3	51.1	51.3	54.3	56.6	56.6	--	--
Net exports of goods and services	Bil. dol.	4.4	4.3	4.2	5.8	7.7	7.7	6.0	6.0
Overall foreign payments balance	Mill. dol.	-2,644	-5,200	-528	-560	1/-168	1/-168	--	--
Population 3/	Millions	189.4	189.0	189.8	190.5	191.1	191.1	191.7	191.7
GWP implicit price deflator	1963=100	100.0	99.8	100.1	100.7	101.3	101.3	101.6	101.6
Per capita disposable personal income (1963 prices)	Dollars	2,125	2,115	2,129	2,148	2,175	2,175	2,223	2,223

1/ Preliminary. 2/ Estimates based on anticipated capital expenditures as reported by business.

3/ Population of the United States including Armed Forces abroad. Annual data as of July 1; quarterly data centered in the middle of the period.

full quarter, disposable income rose \$11.9 billion, more than $1\frac{1}{2}$ times as much as total personal income. Compared with the second quarter of 1963 when 13.3 percent of personal income was required to pay personal taxes, only 11.6 percent went for taxes this year. Wage and salary disbursements accounted for \$5.5 billion of the gain in personal income in the second quarter. Other kinds of income also rose, as corporations increased dividend payments and noncorporate business profits increased. Although consumer expenditures rose to record levels, a large part of the increase in disposable income was saved. The rate of consumer saving rose to 8.2 percent of disposable personal income from 7.0 percent in the previous quarter and 6.8 percent in the second quarter of 1963.

Private Investment Outlays

Expenditures for new construction declined slightly in the second quarter from the first, but were still 6.8 percent above a year earlier. A decline in housing starts since the turn of the year was responsible for most of the decline. Commercial, industrial, and institutional outlays continued to edge up but not enough to offset the decline in residential construction outlays. If the decline in new housing starts continues, some further slowdown in construction spending can be expected.

Expanding demand, increased production, and rising profits have encouraged increased business outlays for new fixed plant and equipment. According to the SEC-Commerce survey in May, business capital outlays are scheduled to rise during the remainder of 1964. Manufacturers are planning steady increases in capital outlays through 1964 with most of the expansion in the durable sector among the iron and steel, motor vehicle, and nonferrous metals producers. Scheduled increases are widespread among the nondurable goods industries, except for the food and beverage group. Nonmanufacturing firms are spending at a rate sharply above 1963 and are planning continued expansion through 1964. In the second quarter, the railroad industry spent 30 percent more for plant and equipment than a year earlier. Public utility outlays were up 13 percent and commercial and communication industries were up 12 percent.

Corporate profits in 1963 were 7 percent above 1962 and in the first half of 1964 were upward of 15 percent above a year earlier. The increased cash flow to corporations in the form of depreciation allowances and retained earnings has permitted the strong investment expansion with relatively modest use of external financing. And business expectations continue strong; the May SEC-Commerce survey reports that manufacturers anticipate a sales gain of nearly 2 percent from the second to the third quarter.

Business inventory accumulation rose to a \$3 billion rate in the second quarter from an unusually low \$2.5 billion rate in the previous quarter. During this expansion, inventory accumulation has averaged \$4.1 billion per year. Apparently, the drop in the rate of inventory investment in the first quarter was due to a strong surge in consumption during that period. Growth of inventory stocks in the April-June period did not bring the rate of inventory

accumulation back in line with the expansion of final product sales. In May some 84 percent of manufacturers considered their inventory stocks to be about right or too low. This percentage is the same as during 1963 but is slightly lower than that reported in 1962 and 1961.

Government Demand

Demand from the Government sector expanded \$4.3 billion in the second quarter, a substantially larger rise than in any recent period. Government purchases of goods and services have risen an average of \$1.6 billion, annual rate, per quarter since 1956. Most of the rise in the second quarter was in the Federal account which increased \$2.7 billion, annual rate, from the previous quarter. A surge in defense outlays appears to have resulted from a bunching of expenditures in the April-June period. Defense outlays are expected to decline in the coming months.

State and local purchases of goods and services rose \$1.6 billion in the second quarter from the first, and were \$5.8 billion above a year earlier. Over the past 10 years a larger part of the expansion in State and local purchases was due to price increases than is true of any other comparable GNP component. Since 1954, half of the rise in purchases of goods and services by State and local Governments has been in the form of price increases. Basic factors affecting the real growth in State and local outlays are increased needs for schools, hospitals, roads, and other facilities; all of which have strong upward trends.

Output and Employment

Output and employment have expanded with total demand. The Federal Reserve index of industrial production in April-June rose to 131.1 from 128.3 in the previous quarter. Output of consumer goods rose 1 percent from the first quarter and was 4.7 percent above a year earlier. Automobile output was slightly above year earlier rates and production of auto parts was up 6 percent from April-June of last year. Output of appliances was especially strong in April-June, in line with the sharp rise in appliance sales. Also production of most nondurable goods rose. Output of processed food in the second quarter was 3 percent above a year earlier.

Production of business equipment has been very strong the past 12 months, and in April-June was 9 percent above a year earlier. Also reflecting the strong business investment demand, output of transportation equipment in the second quarter was more than 13 percent above a year earlier. Farm equipment production was up about 10 percent, but that of commercial equipment was below year-earlier levels. Raw materials output in April-June expanded 5 percent from the second quarter of 1963.

Civilian employment rose by 800,000 persons in the second quarter from the first and was 1.8 million persons larger than a year earlier. Increases were concentrated in manufacturing, retail trade, service, and State and local

Governments. Employment by the Federal Government in April-June was below year-earlier levels. In recent months the economy provided jobs at a faster pace than the labor force grew and the rate of unemployment in the second quarter was down to 5.3 percent compared to 5.5 percent in the preceding quarter and 5.8 percent a year earlier. In addition, average hours worked per week in manufacturing rose to 40.7 from 40.5 in the previous quarter. With an increase in the workweek and further slight gains in hourly earnings, average weekly earnings, at \$103, were up \$2 from January-March.

Prices Relatively Stable

The relative stability of price trends in recent months is particularly noteworthy. The wholesale price index, 100.2 (1957-59=100) in April-June, was about two-tenths of 1 percent above the second quarter of 1963. Prices of farm products were down from a year earlier, but prices of industrial commodities increased about 0.6 percent. Consumer prices in April-June continued to rise at the rate of the past few years--1 to $1\frac{1}{2}$ percent per year. The BLS index, measuring prices in urban areas, was $1\frac{1}{2}$ percent above a year earlier during April-June. The rural areas consumer price index--prices paid by farmers for family living items--was up about 1 percent from the same period last year.

Continuation of the uptrend in consumer prices is expected. But with growth in industrial capacity the rise will likely be moderate again this year. In the case of wholesale prices, lower farm product prices offset increases in prices of industrial goods. Labor negotiations this summer in the automobile industry may become an important factor affecting industrial prices in the coming months. Because of the size and importance of the auto industry, the agreements reached may tend to set a pattern for wage demands in other industries, some with a much slower rate of increase in productivity.

FOREIGN TRADE

New Record for Agricultural Exports

U. S. agricultural exports were valued at \$6.1 billion in fiscal 1964, 20 percent above the record levels in the 2 previous years. Exports are expected to continue at high levels in the current fiscal year, totaling under fiscal 1964 but above any other previous year. The increase in fiscal 1964 from 1963 was distributed through a broad range of commodities, with important gains in wheat, cotton, feed grains, and soybeans (see table 6). There were small declines in fruit, vegetables, and vegetable oils. Increased volume was responsible for nearly all the increase in the aggregate value of exports. Prices were lower for cotton and wheat but higher for corn, sorghums, and soybeans.

Table 6.--U.S. agricultural exports, value of
major commodities, fiscal years

Commodity	Year ending June 30		
	1962	1963	1964 ^{1/}
	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Mil. dol.</u>
Cotton, excluding linters	663	491	671
Cottonseed and soybean oils	160	173	157
Dairy products	128	154	209
Feed grains and products	730	766	865
Fruits and preparations	282	280	273
Lard and inedible tallow	170	147	194
Soybeans	374	441	525
Tobacco, unmanufactured	407	378	413
Vegetables and preparations	136	163	162
Wheat and flour	1,286	1,158	1,519
Other	806	927	1,127
Total exports	5,142	5,078	6,115

^{1/} Partially estimated.

The \$1 billion increase from fiscal 1963 was in commercial sales; exports under Government programs remained around the \$1.5 billion level of 1963. Commercial sales comprised 75 percent of total exports in 1964, compared with less than 70 percent in the 3 preceding years.

Exports of wheat, flour and products in fiscal 1964 reached about 860 million bushels, compared to 642 million in 1963 and the previous record of 720 million in 1962. Foreign demand for U. S. wheat was strengthened in fiscal 1964 by poor harvests in Western Europe and the Soviet Union. Larger crops are expected in these areas this year.

Exports of feed grains and products in the fiscal year ended June 30 totaled about 18 million tons, up from 17 million in 1963. Exports of corn (grain only) increased 12 percent over the 397 million bushels a year earlier.

Cotton exports in fiscal 1964 were around 5.2 million bales, 30 percent above 1963 and 8 percent above 1962. Exports were stimulated by smaller foreign production and relatively low foreign stocks, increased foreign consumption, and a change in the CCC export program permitting exports from CCC stocks at competitive bid prices.

Agricultural Imports Valued
Higher in Fiscal 1964

U. S. agricultural imports for consumption during the fiscal year ended in June, reached an estimated \$4.1 billion, up from \$3.9 billion in fiscal 1963. A large part of the increase was due to higher prices, particularly for sugar, coffee, cocoa, tobacco, and wool; the volume of major import commodities was below a year earlier. Through May, the value of imports of cane sugar was above a year earlier, despite a decline of 20 percent in the quantity imported. Imports of beef and veal in fiscal 1964 totaled a little above 1963, due to high imports in the last half of 1963. In January-May of this year, however, beef and veal imports were 18 percent lower than a year earlier.

CURRENT COMMODITY SITUATION

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

Red meat production in the first half of this year was up about 8 percent from a year earlier. Beef and pork production were up about 13 percent and 2 percent, respectively, while lamb and mutton declined about 5 percent; veal production was unchanged. Red meat supplies in the second half of this year will continue abundant, with a gain in beef and veal being only partly offset by decreases in pork and lamb and mutton.

Cattle

Cattle slaughter in the first half of the year was up about 11 percent from a year earlier. All classes of cattle showed gains. The number of cattle marketed out of feedlots was up 10 percent and cow slaughter was up a little more than this. Fed cattle prices declined in the first few months of the year and in May reached a low of \$20.52 (per 100 pounds, Choice beef steers, at Chicago). However, prices rose about \$3.00 in late June and averaged \$23.42 during the first 3 weeks of July, \$1.15 below a year earlier. Utility cow prices at Chicago averaged \$14.00 during the first 3 weeks in July, about \$1.50 below July 1963.

On July 1, 6.7 million cattle were on feed in 28 major feeding States, 3 percent below a year earlier. The number of cattle weighing more than 900 pounds was up 2 percent; the number weighing 700 to 899 pounds was the same as a year earlier. Feeders stated intentions to market 6 percent more cattle out of feedlots in the third quarter than were marketed in July-September 1963. Feeder cattle supplies are abundant and there is plentiful feedlot capacity. Recent price strength after the low prices in May will encourage feedlot operators to place cattle on feed this summer. Fed cattle marketings in late fall will depend on the number of cattle placed on feed this summer.

Cow prices will continue below a year earlier into the fall and will be under pressure from seasonally increased marketings. Imports of beef were down 18 percent from a year earlier during the first 5 months of 1964. Imports likely will be reduced during the remaining months of the year because of increasing demand in Europe.

Hogs

First half hog slaughter was up a little, but for the second half is expected to be down 6 to 8 percent from a year earlier. The December-May pig crop was down 8 percent, and if an expansion gets underway late this year some gilts will be withheld from market. Last year, prices reached a peak of \$18.44 in July (barrows and gilts at 8 markets) but then dropped off sharply during the rest of 1963. This year, hog prices likely will peak later and then decline slowly as slaughter supplies increase seasonally. The largest price gains over a year earlier likely will be in the fourth quarter.

Sheep and Lambs

Slaughter of sheep and lambs during the first half of the year was down 4 or 5 percent from a year earlier. The 1964 lamb crop was reduced 6 percent from 1963 and slaughter is expected to continue below a year earlier during the remaining months of the year. Even with reduced slaughter rates the sheep and lamb inventory will continue decreasing this year. Choice slaughter lamb prices at Denver averaged above a year earlier since January; in June they reached a peak of \$23.20. Despite continued heavy beef production, lamb prices probably will average somewhat higher during the last half of 1964 than a year earlier.

Dairy Products

Second quarter 1964 milk production was 35.4 billion pounds, slightly above a year earlier. The number of milk cows continued to decrease, but milk production per cow was $3\frac{1}{2}$ percent above the second quarter of 1963. Although pasture conditions deteriorated sharply during June, during the second quarter they were improved from the unusually poor condition a year ago, but were still below the 1958-62 average. Milk production in the last half of 1964 probably will be near year-earlier levels.

Prices farmers received for milk sold wholesale during the second quarter of 1964 were slightly above the same period last year. The price of all milk at wholesale averaged \$3.84 per 100 pounds, 5 cents higher than a year earlier. This was primarily due to increased prices paid for milk used in butter and byproducts, evaporated milk, and foreign-type cheese.

Prices received by farmers for all milk at wholesale will rise seasonally during the third quarter and may continue slightly above a year earlier. Cash receipts from farm marketings of dairy products in the first half of 1964 were about 4 percent above 1963 due to larger marketings and higher prices. Cash receipts are likely to continue higher in the second half than in July-December

1963. In the first half of 1964 about $1\frac{1}{2}$ percent more milk was used, both for fluid milk products and for manufactured products than a year earlier. Changes in output were small for most dairy products; cheese showed the greatest gain. January-June output of cheese was about 5 percent higher than a year earlier. Butter production in the first half was about the same as a year earlier. In recent weeks, creamery butter output gained relative to American cheese. Prospects in the second half are for output of manufactured milk products to be about the same as during the last 6 months of 1963.

Daily average sales of whole milk to consumers during January-May were 1 percent above a year earlier in 84 Federal and State marketing areas. Sales of skim milk and low fat items (daily basis) in comparable markets increased 12 percent in January-April over a year earlier; sales of milk and cream mixtures declined 3 percent, and cream sales fell 2 percent.

Manufactured dairy products taken by commercial outlets in the January-June 1964 period (excluding imports)--an estimated 26 billion pounds of milk equivalent--were about 1 percent above a year earlier. Slight increases are indicated for all major dairy products in the second half of 1964.

During the first 3 months of the 1964-65 dairy marketing year (April-June), CCC dairy programs removed, through purchases and payment-in-kind exports, 3.6 billion pounds of milk equivalent from the domestic commercial market compared with 3.5 billion pounds in April-June 1963. The pattern of milk production and commercial demand suggest that the USDA dairy price support activity will be about the same in the 1964-65 marketing year as the 7.5 billion pounds of milk equivalent in the 1963-64 year.

Exports of dairy products during fiscal year 1964 are estimated at 7.9 billion pounds of milk equivalent (fat solids basis) compared with 2.0 billion a year earlier. This large increase was due entirely to gains in butter and butteroil exports, which jumped from 61 million pounds butter equivalent in fiscal 1963 to 340 million pounds in 1964. Combined exports of evaporated, and condensed and dry whole milk were about unchanged. Cheese exports declined from 31 million to 14 million pounds. Nonfat dry milk exports rose from 1.0 billion pounds in fiscal 1963 to an estimated 1.3 billion, with nearly all of the gain caused by increased dollar sales. As a result of heavy exports of butter and butteroil and nonfat dry milk, and prospective exports to cover sales made under the payment-in-kind program, uncommitted CCC stocks have been sharply reduced.

Poultry and Eggs

Egg production in the first 6 months of 1964 totaled 92 million cases compared with 90 million in the same period of 1963. Most of the increase occurred in the first quarter. Monthly production is likely to continue exceeding year-earlier volumes at least through mid-1965 because of a larger laying flock and some further increase in the rate of lay.

The Nation's laying flock in June was 1 percent larger than a year earlier. The 365 million egg-type chicks hatched in January-June are expected to maintain flock size a little above the 1963 level in the remaining months of the year. And if a large increase in the July-December hatch materializes, as now appears likely, the number of layers on farms in early 1965 could be up from a year earlier by a significantly wider margin.

Prices received by farmers for eggs in mid-June averaged 30.5 cents per dozen compared with 29.9 cents both a month and a year earlier. In January-June, prices averaged 33.1 cents per dozen, down 0.9 cent from the same period of 1963. Despite the strength shown in June and July, egg prices this year are likely to rise less seasonally than they did last year because egg production will probably move further above the 1963 level as the year progresses. This suggests egg prices in September-December will average below the 36.0 cents per dozen received by farmers in these months of 1963.

Pressures for maintaining large broiler production in the face of low prices will be considerably reduced between late 1964 and mid-1965 because of the downward adjustment currently underway in the number of layers producing broiler hatching eggs. The cyclical decline in layers follows 12 months, through June 1963, of extremely low broiler prices. The number of layers indicated for October and November is down 8 percent from a year earlier, largely because of sharp cuts in the number of pullet chicks placed by leading breeders of broiler parent stock in April and May. This does not mean broiler production will automatically remain below a year earlier during the first half of 1965; it simply indicates that the industry will have a greater incentive to reduce output in response to unprofitable current or expected prices during this period. However, it strongly suggests that U.S. broiler prices during January-June 1965 will average somewhat higher than during the first half of this year.

Recently improved broiler prices may continue at or above the 1963 level through the third quarter. Higher prices are already stimulating an increase in the chick hatch, which will go into fourth quarter broiler production. In the 3 weeks ended July 18, egg settings for broiler production in 22 States ran 4 percent above the comparable weeks of 1963. If such increases persist, fourth quarter broiler prices will probably fall below last year's level. Also, price competition from red meat and turkey is likely to be more severe compared with a year earlier in the fourth than in the third quarter. However, if lower prices develop, a rapid reduction in broiler production is likely in the first quarter of 1965.

Broiler quotations at the farm in major southern producing areas advanced to $14\frac{1}{2}$ cents per pound in the first week in July from 12 cents in mid-June and then fell back to $13\frac{1}{2}$ cents after mid-July. The price improvement reflects a cut in Federally inspected broiler slaughter to a little below the 1963 level in the 4 weeks ended July 15. In June, the U.S. broiler price, which is usually about 1 cent above these quotations, averaged 13.7 cents per pound compared with 13.5 cents in May and 14.3 cents in June 1963.

The 1964 turkey crop is expected to be at least 5 percent larger than the 93.4 million birds raised last year. Turkey meat production may be up 2 to 3 percent more than this because growers are likely to carry birds to heavier weights. However, a somewhat stronger demand this year than last probably will partly offset the larger turkey supplies. Prices in the main marketing season, September-December, may not be far below the 22.6 cents per pound in these months of 1963. June turkey prices received by farmers averaged 20.9 cents compared with 21.4 cents in the first 6 months of the year and 21.7 cents in June 1963. USDA will probably begin buying turkey for the National School Lunch Program on August 11, 1 week earlier than in 1963. Last year the Department purchased 60 million pounds of ready-to-cook turkey-- $4\frac{1}{2}$ percent of 1963 production.

Turkey use (apparent consumption and exports) in the first half of 1964 appears to have exceeded the year-earlier volume by about 7 percent, or 20 million pounds. More than half of the increase seems to have been consumed in convenience foods. Cold storage holdings of turkey on July 1 totaled 88 million pounds compared with 89 million a year earlier. Stocks, now near their seasonal low, are likely to build up more rapidly than in 1963 because of the larger crop this year. Peak holdings on November 1 will be above the 361 million pounds in 1963 and probably will exceed the record 382 million pounds in 1961.

Wool

The shorn wool incentive level for the 1965 marketing year will be 62 cents per pound, grease basis. This is the same level that has prevailed since the National Wool Act began in 1955. The mohair support price for the 1965 marketing year will be 72 cents per pound. This is the same as in 1964 but 4 cents less than in 1963. The 1965 marketing year is the calendar year. The wool incentive price is 78 percent and the mohair support price is 66 percent of the June 1964 parity price.

U. S. shorn wool production in 1964 is estimated by the Crop Reporting Board at 224.3 million pounds, grease basis (100.9 million pounds, clean). This is 6 percent less than in 1963, 16 percent below the recent peak in 1960, and the lowest since 1950. The number of sheep shorn or to be shorn in 1964 is estimated at 26.5 million head, 5 percent less than last year. The expected average fleece weight is 8.47 pounds compared with 8.55 pounds in 1963.

Monthly prices received for shorn wool during the first half of 1964 averaged 3 to 10 percent above a year earlier. In June 1964, the average price was 53.3 cents per pound, grease basis, up 7 percent from a year earlier. This was the 35th consecutive month that the price was above the same month a year earlier. Wool prices are likely to continue around recent high levels through 1964 due to short supplies of domestic wool and to firm demand for foreign wool in world markets.

U. S. mill use of raw wool during 1964 likely will be substantially below 1963. Apparel wool mill use is expected to total 225 to 235 million pounds, scoured basis, compared with 251 million in 1963. Mill use of carpet wool in 1964

likely will amount to 120 to 125 million pounds compared with 161 million last year. Total fiber use on the woolen and worsted systems will not decline as much as that of raw wool since there has been a higher proportional use of the lower priced man-made fibers. In addition to less use of raw wool, there has been a shift to use of lower grades of wool--more of the medium quality wools and less of the finer grades.

Imports of dutiable raw wool during the first 5 months of 1964 amounted to 40.9 million pounds, clean content, a third less than in the comparable period last year. Duty-free raw wool imports totaled 53.4 million pounds during the first 5 months of 1964. This was 26 percent below a year earlier. Lower imports resulted from declines in mill use of apparel and carpet wool. In addition to lower imports of raw wool, there has been a shift to imports of lower grade wools from finer quality wools.

Imports of wool textile products during the first 5 months of 1964 were down from the comparable period of 1963. Imports were reduced for wool tops, yarns, fabrics, and miscellaneous manufactures. Imports of knit wearing apparel, which increased significantly in 1963, continued to increase in the first half of 1964. Carpet and rug imports also increased substantially. Noil and waste imports during early 1964 were about the same as in 1963.

In contrast to a moderately weak demand for wool textile products in the United States, there is a short-supply and firm-demand situation in the world markets for wool. Production and consumption of wool are at record-high levels. In the previous 4 years, consumption of wool was slightly higher than production. This resulted in a continued reduction in stocks and a firm price situation. These conditions can be expected to continue during the 1964-65 marketing season, which begins in late August 1964.

CROPS

Wheat

The 1964 wheat crop was estimated by, the Crop Reporting Board, as of July 1, at 1,275 million bushels. Winter wheat accounted for 1,015 million bushels; spring wheat the remaining 260 million. The July 1, 1964 carryover of wheat totaled 900 million bushels, 295 million below a year earlier and the third consecutive decline in ending carryover stocks. With an allowance for the usual small imports in 1964-65, the total supply of wheat is estimated at 2,180 million bushels, about 500 million below the record supply of 1960-61.

Domestic disappearance of wheat in 1964-65 is estimated at 635 million bushels, a slight increase from recent years. Most of the increase is expected in wheat fed. With lower prices under the current wheat program, wheat is an

attractive feed item in some parts of the country. Wheat feeding is estimated at 65 million bushels in 1964-65 compared with the 1957-61 average of 46 million. Seed use may increase slightly since farmers will be permitted to substitute wheat for feed grain acreages in 1965-66. Food use of wheat is placed at 500 million bushels, unchanged from recent years.

Exports in 1964-65 are estimated at 675 million bushels, sharply below the estimated record 860 million of 1963-64. Dollar exports in 1963-64 set a record totaling about 340 million bushels. Heavy purchases by many European countries, Japan, and the Soviet Union contributed to commercial sales. Larger crops in many countries point towards reduced export outlets and increased competition from many suppliers. Preliminary estimates of world wheat production indicate a record crop in 1964-65. The previous record of 8.8 billion bushels was set in 1958; the 1963 crop totaled 8.3 billion.

With a total disappearance of 1,310 million bushels, the carryover on July 1, 1965 would be reduced only slightly from this July, possibly 870 million bushels.

Prices received by farmers for wheat in 1964-65 probably will average near the National loan rate of \$1.30 per bushel. Approximately three fourths, or 40.6 million acres, of the acreage allotment is enrolled in the 1964 program. With this level of participation, the loan program will generally provide a floor for prices. Cash receipts will be smaller but total farm income from wheat in 1964-65 is expected to be about \$2.2 billion, only slightly below the estimated \$2.3 billion of 1963-64. Marketing certificates and acreage diversion payments farmers are receiving from participating in the program will supplement cash receipts.

Feed Grains

The total feed grain supply for 1964-65 will total about 219 million tons on the basis of July 1 prospects, close to last year's supply and near the 1958-62 average. The 1964 crop was forecast a little over 148 million tons, about 7 million tons less than in 1963. The crop reduction, however, will be about offset by an increase in carryover stocks to a total of around 70 million tons.

The prospective decrease in output of feed grains this year is largely the result of reduced acreage for harvest. Farmers signed up to divert about 34 million acres of feed grains to soil-conserving uses this year, nearly 9 million acres more than was signed up in 1963. Acreage planted to feed grains is estimated a little under 124 million acres, 7 million acres less than in 1963 and 28 million less than the 1959 and 1960 level before the current feed grain program became effective.

Utilization of feed grains declined during the past 2 years following a sharp increase in consumption from 1956-57 to 1961-62. Total disappearance

in 1963-64 is expected to be about 149 million tons, nearly 3 million less than in 1962-63. A slight reduction in the number of livestock to be fed is in prospect for 1964-65. However, with a continuation of the current feeding rate, the total consumption of feed grains and other concentrates in 1964-65 may be close to the 1963-64 level.

The total corn supply for 1964-65, based on early prospects, would be a little over 5.4 billion bushels, or about the same as the 1963-64 supply. The 1964 corn crop was estimated in July at 3,888 million bushels, 5 percent below the 1963 crop but 6 percent above the 1958-62 average. Acreage to be harvested in 1964 was estimated at 58.4 million acres, 2.2 million less than last year and 13.5 million below the 1959 and 1960 average. A smaller prospective corn crop is expected to be about offset by increased carryover on October 1.

Total disappearance of corn in 1963-64 is estimated at 3,849 million bushels, 3 percent less than in 1962-63. Corn consumption was larger than production in 1961-62 and 1962-63. During those 2 years, carryover stocks of corn were reduced nearly 700 million bushels. But a larger crop and smaller utilization in 1963 is expected to result in an increase of a little over 200 million bushels in carryover stocks, to 1,550 million on October 1. Exports of corn increased steadily in recent years to a record high, an estimated 475 million bushels, in 1963-64.

The total supply of oats for 1964-65 is estimated about 1,225 million bushels, 34 million bushels less than a year earlier and more than 200 million bushels below the 1958-62 average. Oat production declined steadily in recent years. This year's crop of 905 million bushels is 8 percent less than last year and 35 percent below 1958. The barley supply for 1964-65 is estimated at 511 million bushels, 49 million less than a year earlier and nearly 100 million bushels below the 1958-62 average. The 1964 crop is estimated at 363 million bushels, 37 million less than in 1963 and 115 million less than the record set in 1958.

Feed grain prices probably will decline during the next few months with the harvest of the 1964 crops. Much larger supplies of "free" corn on hand this summer and a lower 1963 loan rate are expected to result in corn prices remaining below the high level reached in July-September 1963. Price supports for 1964 feed grains will be at the same levels as in 1963; loan levels will be a little higher but payments a little lower. The 1964 loan rate for corn is \$1.10 per bushel, 3 cents higher than in 1963. The grain sorghum loan is \$1.77 per cwt., up 6 cents; and the barley loan is 84 cents per bushel, 2 cents higher than in 1963. The loan rate for oats is 65 cents per bushel, the same as in 1963. Increases in loan rates this year, together with prospects for a little smaller feed grain production, will give support to feed grain prices in 1964-65. On the other hand, a weakness in the demand for feed grains which developed in 1963-64, due primarily to less favorable livestock-feed price ratios, probably will continue into 1964-65.

As was the case in 1963-64, CCC cannot sell feed grains against the certificate pool in 1964-65 at less than the loan rate plus carrying charges. This will mean that CCC sale prices will be a little higher in 1964-65 than in 1963-64. The quantity of feed grain sold from CCC stocks and the quantity placed under price support in 1964-65 are expected to continue well below the high levels reached in 1961-62 and 1962-63. In those 2 years, feed grain prices averaged below loan rates. Prices of each of the 4 feed grains in 1963-64, averaged near or above loan rates. In 1964-65, feed grain prices may continue near the 1963-64 level.

Oilseeds, Fats and Oils

Prices received by farmers for 1963-crop soybeans declined contraseasonally from \$2.66 per bushel in November 1963 to \$2.35 in June 1964, due mainly to reduced crusher demand for beans. Soybean prices through most of the summer are expected to vary within a narrow range, averaging slightly below a year earlier. Soybean prices in September usually decline seasonally as new-crop beans become available.

Soybean crushings for the 1963-64 marketing year, ending September 30, are estimated at 430 million bushels, down around 45 million bushels from the year before. Exports are expected to total 190 million bushels, up 10 million from 1962-63. This would leave carryover stocks on October 1, 1964, of around 50 million bushels compared to 15 million last year. Most of this year's carryover will be in the hands of CCC (including soybeans resealed in farm storage).

Factors responsible for the cutback in the soybean crush during the current marketing year are: The small margins processors have been receiving for soybean oil and meal relative to soybean prices; the heavy supply of edible vegetable oils; and, the significant drop in the demand for soybean meal--due mainly to unfavorable livestock-feed price ratios.

The 1964 acreage planted to soybeans was 31.7 million acres, 7 percent above the record planting in 1963 and the fifth consecutive year of expansion. Farmers plan to harvest 30.9 million acres for beans compared with 28.6 million in 1963. The crop is in generally good condition in the North Central States. Early plantings made a good start in Southcentral and Southeastern producing areas, but dry soils delayed planting and caused uneven germination in late fields. The first forecast of yield and production for the 1964 crop will be in the August 11 Crop Report.

Fruit

Supplies of most 1964 fresh deciduous fruits during late summer and fall are expected to be considerably larger than a year earlier. Supplies of processed items will increase as movement from expected generally larger packs gains momentum. Because of larger crops, grower prices for some fruits probably will not match the unusually high 1963 prices.

Deciduous fruit production in 1964 will be about 5 percent above 1963 and 10 percent above the 1958-62 average, according to July 1 prospects. The sour cherry, plum, and nectarine crops are indicated record large. Commercial apple production is expected to be the largest since 1937. California cling peach and Great Lakes grape (mostly Concord) production are above last year, although total U. S. production of peaches and grapes is down. All other major fruit crops are up.

Increased packs of both canned and frozen deciduous fruits are expected this year, mainly because of larger fruit crops and sharply reduced carryover stocks of processed items. Small to large increases are likely in most canned items, and a substantial gain is expected in frozen red tart cherries. On June 1, 1964, as the new season for processing was starting, canners' stocks of 12 items of canned fruits were 19 percent smaller than a year earlier. Cold storage stocks of frozen fruits (excluding juices) on July 1 were down 22 percent from a year earlier.

Prospective 1964 production of almonds and filberts is moderately larger than last year. But that of walnuts is down a little. The first forecast of the 1964 pecan crop will appear in the August Crop Report. In 1963, a record pecan crop was mainly responsible for record production of these 4 edible tree nuts.

As usual during August and September, California Valencia oranges, grapefruit, and lemons will comprise most of the fresh citrus fruit. In mid-July, remaining supplies of oranges and lemons were lighter than a year earlier, while those of grapefruit were not greatly different from the year-earlier volume. Continued seasonally high prices for fresh citrus are expected during the rest of summer.

In Florida, where harvest of the 1963-64 citrus crop was practically ended by early July, output of frozen concentrated citrus juices and canned citrus sections was somewhat larger than in 1962-63. But the packs of canned single-strength citrus juices were down about a third from 1962-63. In early July, Florida packers' stocks of canned citrus sections were larger and those of principal frozen and canned juices smaller than a year earlier. Continued high retail prices are in prospect for most processed citrus items.

Prospects for the 1964-65 citrus crop continued generally favorable in early July. Set of fruit appears good in all major areas. In Florida, tree condition was good and fruit size was unusually large for that time of year. Harvest of Florida oranges and grapefruit usually starts in September and attains seasonally large volume in October. The 1963-64 U. S. citrus crop was 6 percent lighter than the reduced 1962-63 crop and 22 percent below average, a continuing effect of the December 1962 Florida freeze.

Commercial Vegetables

Fresh: Supplies of fresh vegetables will be at a seasonal peak during August and early September, with prospects for abundant supplies. Although total commercial production is slightly less than a year earlier, carrots, sweet corn

and late summer cabbage are the only major items expected to be in lighter supply. Fresh tomato, cucumber, and snap bean supplies likely will be about as large as in 1963, and moderately larger output is expected for early summer onions and summer celery. Production of cantaloups may be slightly smaller than last year's heavy tonnage, but more watermelons probably will be available. With supplies of most commodities the same or larger than in 1963, overall prices the next 4 to 6 weeks probably will average a little below the moderate prices of a year earlier.

Processed: During the late summer months, supplies of both canned and frozen vegetables are expected to be slightly less than a year earlier. Carry-over stocks of most tomato items are considerably below the record highs in 1963, although still much above average. Stocks of canned lima beans and kraut also are smaller this year than last. But holdings of all other major items are the same or larger than a year earlier. Supplies of frozen vegetables are moderately below a year ago. Holdings of snap beans, broccoli, Brussels sprouts, cauliflower, and spinach are larger than last year; supplies of all other items are smaller.

Total production of vegetables for processing may be slightly less this year than last. Fewer acres were planted and weather so far this season has been less favorable. A substantially larger output and pack is likely for tomatoes and tomato products. But there may be substantially smaller packs of canned sweet corn and beets, both of which were in particularly heavy supply last season. 1964 packs of canned and frozen peas were moderately below a year earlier; poor weather damaged early crops. The indicated total pack, plus carryover stocks at the beginning of the season, would result in an overall supply of canned vegetables in the 1964-65 season slightly smaller than last season. Supplies of frozen vegetables may total moderately less than last season. With supplies smaller, f.o.b and retail prices likely will average slightly higher than last season.

Potatoes and Sweetpotatoes

Supplies of potatoes for summer marketing are expected to be moderately smaller this year than last. Because of 7 percent less acreage and lower yields, production for early summer harvest is a tenth smaller than in 1963. Volume of early summer potatoes for marketing during August will be substantially less than a year earlier. The late summer crop is expected to be only slightly smaller than last year but moderately below the 1958-62 average. With total supplies a little smaller, prices during the next 4 to 6 weeks likely will average about the same to slightly above those of a year ago.

Early reports point to a sweetpotato crop of 15 million hundredweight, down 7 percent from the relatively small 1963 tonnage. Prices are high for light early marketings, but will decline seasonally during the next few months as harvests become active. Because of expected smaller output, however, prices this season are likely to continue above those of last season.

Dry Beans and Peas

Supplies of dry beans in the 1964-65 season may be slightly smaller than last season, with smaller production offsetting larger carryover stocks at the beginning of the season. Prices are expected to average about the same as a year earlier. Dry pea supplies may be moderately below the heavy supplies of last season. But prices for dry peas may average about the same as last season because of reduced demand for exports.

Cotton

Disappearance of upland cotton during the 1964-65 crop year (August 1, 1964-July 31, 1965) is estimated to reach 14.8 million bales--up slightly from the 14.1 million a year earlier and the highest since 1959-60. Mill consumption is expected to increase sharply during 1964-65 and exports are expected to be maintained at a relatively high level.

Mill consumption of upland cotton during 1964-65 is estimated at 9.6 million bales--1.1 million more than 1963-64 and the highest since 1950-51. The estimate for 1964-65 is based on an improved competitive price position of cotton and cotton textiles in the domestic market, on a continued high level of general economic activity, and on some rebuilding of "pipeline" inventories of cotton textiles.

Large mill consumption for the 1964-65 crop year was indicated by a pick-up in the rate of use during recent months. The seasonally adjusted rate in June was up 4 percent from May, which in turn was up over 2 percent from April. The seasonally adjusted ratio of mill stocks to unfilled orders for cotton cloth at the end of May declined slightly from a month earlier and a year earlier as unfilled orders for cloth rose more than inventories. New orders received by mills for cloth during May jumped 32 percent.

The payment-in-kind rate for 1964-65 remains at 6.5 cents, but the basic support rate for the 1964 crop of Middling 1-inch cotton is 30 cents per pound, down from 32.47 cents in 1963. This change is expected to further stimulate the use rate by mills in 1964-65.

U. S. exports of cotton during the 1964-65 crop year are estimated at 5.2 million bales compared with 5.6 million estimated for 1963-64. Exports are expected to remain relatively high during 1964-65 because of a continued up-trend in foreign free world consumption; the record was set in 1963-64. However, foreign free world production may rise slightly in 1964-65 from the previous year.

For the 1964-65 crop year, domestically consumed and exported cotton are eligible, initially, for a 6.5-cents-per-pound equalization payment. The new law prohibits making payments to producers; instead they may be made at any point in the marketing channel, including to mills. The recipient must assume obligation for domestic use or export of an equivalent amount of cotton.

As of July 1, acreage planted for the 1964 crop of upland cotton was estimated at 14,644,000 acres. This is 0.4 percent below the 1963 acreage and 0.5 percent less than March intentions for 1964. The National acreage allotment for 1964 was set at the statutory minimum, as for the 1963 crop. Slight reduction in planted acreage indicates limited participation in the Domestic Allotment Program. New cotton legislation was approved April 11; many farmers had already planted their allotments and others had made decisions relative to planting. There was a relatively small volume of applications for export acreage; out of some 800,000 acres, applications were made for fewer than 88,000 acres for use.

Carryover of upland cotton on August 1, 1964, is estimated at 12.2 million bales. This is up about 1.1 million bales from the previous carryover and the highest level since the record high of 14.4 million bales in 1956. Carryover increased during 1963-64--despite larger disappearance than a year earlier--because of the large crop, which resulted from favorable growing conditions and record-high yields. The 1963 crop of 15.1 million bales was the largest since 1953. Mill consumption and exports combined were up 2.4 million bales from a year earlier.

Tobacco

Cigarette output during the year ended June 30, 1964, was estimated at 534 billion--nearly 10 billion below the record 1962-63 total. Consumption by U. S. smokers (including those overseas) was about 507 billion, 2 percent below 1962-63; the rest was shipped to foreign countries and U. S. island possessions. U. S. cigarette consumption declined in January-June 1964 following issuance of the smoking-health report in mid-January. Sales have recovered considerably from the sharp drop in the weeks just following release of the report.

Cigar and cigarillo consumption in the year ended June 30, 1964, was estimated over 8 billion--more than an eighth above each of the 2 preceding years and the third largest fiscal year total on record. Consumption gained moderately during the second half of 1963, then jumped sharply after the smoking-health report was issued. Output and consumption of small cigars (cigarette-size) and of smoking tobacco (mainly for pipes) also spurted following publication of the report. Production of small cigars in the year ended June 30, 1964, was estimated about 5 times that of a year earlier; smoking tobacco output rose around a sixth to the highest level in 9 years. The 1963-64 output of chewing tobacco was estimated at a little above 1962-63, but that of snuff was slightly less than in each of the 2 preceding years.

The July 1 indication for 1964 production of all types of tobacco combined, at 2,097 million pounds, is 10 percent below the record production of last year. Acreage for harvest is estimated at $8\frac{1}{2}$ percent below 1963; acreage of flue-cured and burley--the major cigarette tobaccos--are each down a tenth, reflecting a 10 percent cut in allotments.

The 1964 flue-cured crop is forecast at 11 percent below 1963. This decline is nearly offset by increased carryover, however, and total 1964-65 supply, estimated at 3,622 million pounds, is less than 1 percent below 1963-64 and third largest on record. Similarly, the 1964 burley crop is estimated to be down 12 percent from the record 1963 crop. But increased carryover will boost the 1964-65 total supply to 2,077 million pounds, nearly 5 percent above 1963-64 and largest on record.

Auction markets for flue-cured tobacco in Georgia and Florida--the southernmost belt--opened July 29. Markets in South Carolina and Border North Carolina open August 6. Other markets in North Carolina and those in Virginia open later in August and September.

The Government overall price support level for 1964 flue-cured tobacco is 57.2 cents a pound--six-tenths of a cent (1 percent) higher than last season. As in 1962 and 1963, price supports will be available this year on untied flue-cured tobacco of certain designated grades for a limited number of sales days in markets of Belts that traditionally have sold only tied tobacco. Price-support rates on tied tobacco remain 6 cents per pound higher than for the untied tobacco.

Auction sales of the drought-affected 1963 crop of Maryland tobacco ended July 10. The season auction average was 42.5 cents per pound--a fifth less than the previous year's average and lowest since 1954. About 37 percent of market deliveries were placed under loan, compared with 18 percent last season and 11½ percent in the season before that. The 1964 indicated crop of Maryland is 35 million pounds--about 3 million more than total marketings through the closing date of the recent auctions.

According to July 1 indications, production declines in 1964 are in prospect for fire-cured, dark air-cured, Pennsylvania cigar filler, and Connecticut Valley cigar binder tobaccos, but small to moderate increases are estimated for Ohio cigar filler, Wisconsin binder, and the cigar wrapper types.

U. S. exports of unmanufactured tobacco in the year ended June 30, 1964, are estimated to be up approximately a tenth from 1962-63. Exports in calendar 1964 may be a little smaller than in 1963, as foreign competitive supplies--mainly Rhodesian flue-cured and Turkish and Greek oriental tobaccos--are up considerably from last year and will likely influence U. S. exports in the second half of 1964.

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